

STAFF REPORT

TO: PED Committee

VIA: Gary Jackson, City Manager

FROM: David Hanks, Water Resources Director

DATE: October 8, 2007

SUBJECT: Update on Water Line Extension Incentives for Infill and Affordable Housing Development

SUMMARY STATEMENT: Staff reviewed the City of Asheville Water Policies concerning funding to assist in water line upgrades to encourage infill and affordable housing development and develop policies that will encourage this type of development within the City. Questions from the PED and HCD Committee members required a review and comments from the City Attorney concerning the water fund providing incentives for infill and affordable housing initiatives. Planning Community Development staff also reviewed the responses of the City Attorney and possible means of participation for water line projects.

REVIEW: Committee questions and City Attorney responses:

1. Would giving special incentives other than for economic development require state legislative action to authorize?

We are required to treat all users within the same class the same way as to water rates and other charges. I do not think that infill/affordable housing is sufficient justification by itself for a separate class. I do think that we do have authority to improve the public infrastructure to enable more/better service in areas where infill or affordable housing may be built, and this may provide enough relief to developers of this housing to make it worthwhile.

As part of a community development program, local governments may make appropriations to assist in rehabilitation/redevelopment of buildings and neighborhoods for the benefit of persons of low and moderate income, and may engage in programs concerned with the welfare needs of persons of low and moderate income. I think this would encompass such things as setting up a fund to assist qualified persons in paying their utility bills, but these programs would need to be targeted to the end user rather than the builders, and "low and moderate income" and "affordable" do not always encompass the same target population.

2. If the County or other municipalities wanted to provide funds toward infill and/or affordable housing within their jurisdiction could they?

Subject to the same limitations noted above, yes.

3. What could be the minimum amount of participation required by the City and/or other government agency wishing to participate? Such as if the water fund put in \$300,000, could the general fund or Housing Trust Fund put in 10% or \$30,000 and it could still be City only projects? If other governments provided funding could it be at less than a 100% match?

I don't think that there is a statutory minimum contribution, so the minimum could be established by the government that sets up the program. I also don't think that other governments would necessarily have to participate at the same level. As a practical matter, however, I can't see other governments participating unless they receive some ability to participate in the use of the fund. One thing to be concerned with here is that, under the current Sullivan Acts, use of funds from the water system to set up a fund to assist in defraying the cost of water service to individuals may not be possible.

The Water Resources Department will continue to look at areas within the system that do not provide adequate fire protection and line sizes capable of supporting new housing, such as the West Asheville Revenue Bond Project and through the in-house construction crew.

RECOMMENDATION: Staff recommends not moving forward at this time with specific dedicated funding for infill and affordable housing from the Water Fund. Once the Sullivan Acts are resolved this proposed policy needs to be readdressed or as part of any legislative solution to the Sullivan Acts a provision to use dedicated funding for infill and affordable housing issues should be part of any solution.